

What is escrow?

Escrow is a safe account managed by a third party. When buying a home, it holds your earnest money deposit until the sale closes. After that, it collects part of your monthly mortgage to pay property taxes and insurance on time.

Such as...

When you're buying a house

Escrow holds your good-faith deposit. Resolves at closing.

During the life of your home loan

Funded by homeowner at start of loan and with each home loan payment.

You can also watch our escrow video.

How does escrow work during the life of my loan?

1

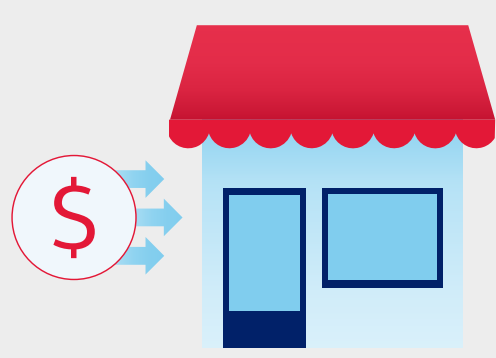
Lender estimates monthly cost of property taxes, property insurance, and mortgage insurance* per month.



*If mortgage insurance is required

2

Homeowner funds up to two months of escrow payments at closing and contributes additional funds with each monthly payment to keep a set "cushion" amount.*



*The amount of the cushion is determined by applicable law

3

Lender uses escrow funds to pay property taxes, property insurance, and mortgage insurance.* (supplemental taxes can be included if arranged with lender)



*If mortgage insurance is required

Do my monthly escrow payments ever change?

Yes. Tax and insurance rates may go up or down, impacting how much you need to have in your escrow account each month. This can cause an **overage** or it can cause a **shortage**.

Overage

When your escrow account has more funds than needed, the lender will refund the excess.

Shortage

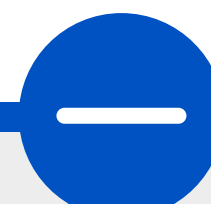
When your escrow account will not have enough funds to cover upcoming tax and insurance, the sums due will still be paid but your monthly escrow payments may be increased to repay the shortage.

Pros & cons of escrow

Most home loan programs require an escrow account, but speak to your lender to see if that's the case or if you have the option to pay your bills on your own instead.



- Homeowner only makes one payment a month.
- Homeowner does not have to keep track of multiple due dates.
- Homeowner and Lender have security of knowing property is protected from tax liens due to non-payment or insurance coverage lapses.
- Homeowner may have the option to pay shortages over time.

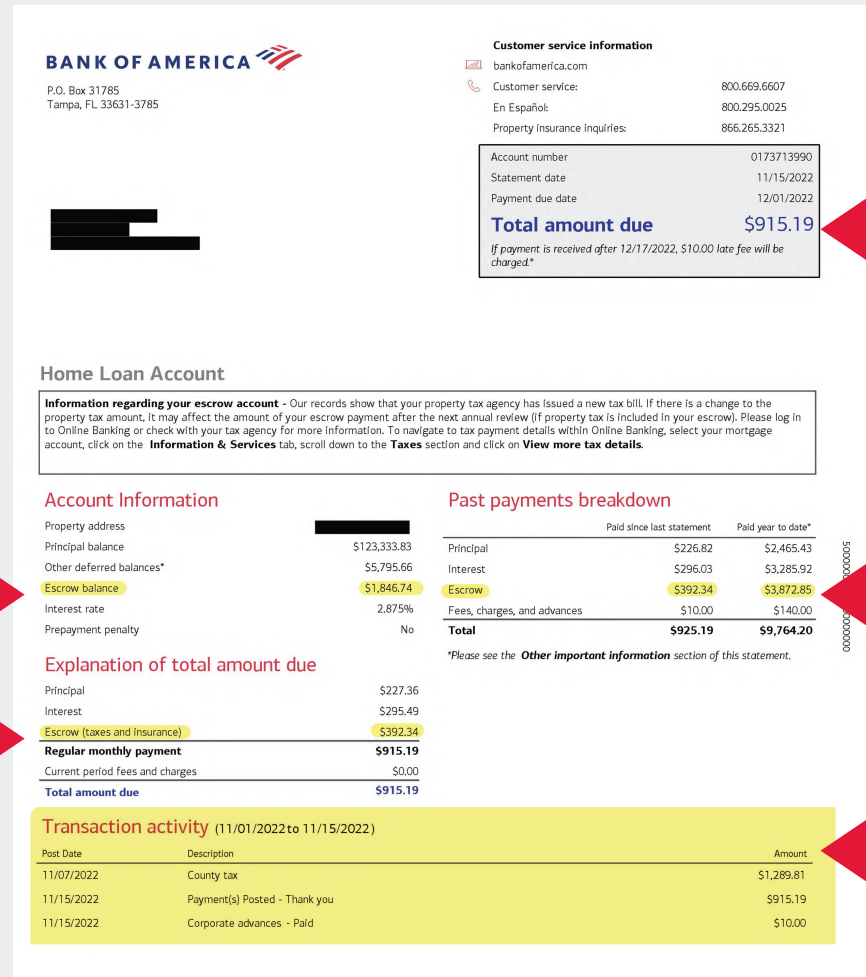


- Homeowner has a higher monthly payment than paying mortgage principal and interest alone.
- Unexpected adjustments due to market/tax changes can result in increased monthly escrow payments.
- New estimates each year can change monthly payments.

Escrow and your mortgage statement

There are a few places on your monthly mortgage statement where you can find your escrow account activity.

Mortgage statement example



Total amount due by payment due date indicated above.

Previous month escrow payment and payments to date.

Activity on the mortgage account including escrow payments and bills received

Balance of the escrow account as of the statement date listed.

Escrow payment amount included in the payment due on this statement

Credit and collateral are subject to approval. Terms and conditions apply.

This is not a commitment to lend. Programs, rates, terms and conditions are subject to change without notice.